


Memorandum

TO: HONORABLE MAYOR
AND CITY COUNCIL

FROM: John Stufflebean
Jennifer A. Maguire

SUBJECT: SEE BELOW

DATE: 12-4-09

Approved 

Date 12/4/09

COUNCIL DISTRICT: City-Wide

SUBJECT GRANT AGREEMENT WITH THE U.S. DEPARTMENT OF ENERGY
FOR THE SOLAR AMERICA INITIATIVE'S SOLAR MARKET
TRANSFORMATION SPECIAL PROJECT AND RELATED
APPROPRIATION ORDINANCE AND FUNDING SOURCES
RESOLUTION AMENDMENTS

RECOMMENDATION

1. Adopt a resolution authorizing the City Manager to negotiate and execute a grant agreement with the Department of Energy to conduct the Solar America Initiative's Solar Market Transformation activities, for the term of January 1, 2010 through December 31, 2011, and to accept a grant in an amount not to exceed \$1,101,636.
2. Adopt a resolution authorizing the City Manager to
 - a. Negotiate and execute an agreement with Santa Clara University to accept the donation of the use of the Solar Decathlon House for the term of January 1, 2010 through December 31, 2011, at a value of \$198,050;
 - b. Negotiate and execute an agreement with the Redevelopment Agency for use of the site located at 155-193 East Santa Clara Street, which is valued at \$9,343 per month, for a period of up to two years, for the Green Vision Education and Demonstration Center.
3. Adopt the following Appropriation Ordinance and Funding Sources Resolution amendments in the General Fund for 2009-2010:
 - a. Establish a City-Wide Expenses Recovery Act – Solar Market Transformation appropriation to the Environmental Services Department in the amount of \$1,101,636; and
 - b. Increase the estimate for Revenue from Federal Government – Recovery Act by \$1,101,636;

OUTCOME

Approval of this recommendation will allow the City to accept a Solar America Initiatives Solar Market Transformation grant from the U.S. Department of Energy (DOE) in the amount of \$1,101,636. The DOE expects to disburse the grant funds in late January 2010. The funds will be used to support implementation of projects that expand the use of solar in San José, thus moving the City towards achieving Goal #3 of the Green Vision, to receive 100 percent of our electrical power from clean renewable sources.

EXECUTIVE SUMMARY

In July 2009, the Environmental Services Department applied for the DOE Market Transformation grant, in accordance with the submission guidance that was approved by Council at the June 23, 2009 meeting. The City's application, entitled *San José Solar – Enabling Community Participation in Achieving the City's Green Vision Goals*, proposed a \$2,715,855, seven project program that would support the City's solar programs and facilitate implementation of the City's Green Vision Goals. The program was to be funded by \$1,357,928 from DOE, \$600,250 in the form of goods and services from local companies, and a \$757,678 City match which included Redevelopment Agency (RA) property valued at \$273,232 for the Green Vision Education and Demonstration center.

In October 2009, the DOE announced that San José had been awarded \$900,000 to implement these seven programs. Staff negotiated with DOE to revise the scope for the projects in accordance with the reduced budget and, on November 19, 2009, DOE agreed on a final award of \$1,101,636 to fund five of the seven projects. The total match by the City and in local company goods and services will be \$1,101,636. The five projects will be:

	DOE/Federal Share	City In-kind Match including City donations and RDA Property Contribution	Private Sector Match	TOTAL
Community Education on Clean Technology Financing Programs	\$329,716	\$ 39,428	N/A	\$369,144
San Jose Credit Union Solar Financing Pilot--Education	\$44,432	\$6,928	N/A	\$51,360
Qualified Energy Conservation Bonds Feasibility Analysis	\$44,432	\$6,928	N/A	\$51,360

	DOE/Federal Share	City In-kind Match including City donations and RDA Property Contribution	Private Sector Match	TOTAL
Green Vision Education and Demonstration Program	\$481,863	\$497,974	\$518,450	\$1,498,287
Solar Career Opportunities	\$201,193	\$6,928	\$25,000	\$233,121
TOTAL	\$1,101,636	\$558,186	\$543,450	\$2,203,272

BACKGROUND

In May 2007, the City was selected as a Solar Showcase project by DOE to develop comprehensive, city-wide approaches to accelerating solar energy adoption. As a Solar Showcase project, the City received technical assistance from DOE to conduct solar potential assessments and perform cost-benefit analyses at seven of the City's largest facilities. In March 2008, San José was selected as one of the 25 DOE Solar America Cities in the United States and received a \$200,000 grant to link community solar activities with goal #3 of the City's Green Vision—receiving 100% of our electricity needs from renewables. As a designated Solar America City, San José was then eligible to apply for a Solar Market Transformation Special Project (Market Transformation) grant in July 2009. The goal of this grant, funded by the American Recovery and Reinvestment Act, is to enable the cities to increase solar energy use in their communities through innovative programs and policies that could be easily replicated across the nation.

In July 2009, the Environmental Services Department applied for the DOE Market Transformation grant, complying with the submission guidance that was approved by Council at the June 23, 2009 meeting. The City's application, entitled *San José Solar – Enabling Community Participation in Achieving the City's Green Vision Goals*, proposed a \$2,715,855 program to be funded by \$1,357,928 from DOE, \$600,250 in the form of goods and services from local companies, and a \$757,678 City match, designed to support the City's solar programs and facilitate implementation of the City's Green Vision Goals. Though this is a multi fiscal year agreement, the grant revenue will be received as a lump sum in 2009-2010 and the full amount of the matching funds must be appropriated out of the 2009-2010 budget. The City's application requested DOE funding for the following seven projects:

- Property Assessed Clean Energy financing program development through the California Communities Joint Powers Authority
- Solar Loans for City Staff
- Qualified Energy Conservation Bond Financing for Revolving Solar Loan Fund

- Streamlined Regional Solar Permitting Process
- Solar Train the Trainer Internship Program
- Solar Career Training for At-Risk Youth
- Green Vision Education and Demonstration Center

In October 2009, the DOE announced that San José had been awarded \$900,000 to implement these seven programs. In November 2009, ESD staff negotiated with DOE to revise the scope for the projects and DOE agreed upon a final federal award of \$1,101,636 to fund five of the seven projects. The local company goods and services and City match, including Redevelopment Agency contributions for the Green Vision Education and Demonstration Center, for the final grant amount is \$1,101,636.

ANALYSIS

Even with the revised scope that has been negotiated with DOE, these five projects will facilitate the City's ability to foster community involvement in innovative measures that will spur solar market transformation, as stated in the original proposal. The key objectives of the projects still remain:

- Increase awareness of energy financing strategies to property owners through coordinated outreach activities;
- Increase awareness of the multiple, viable solar technologies by ensuring the community has hands-on educational opportunities; and
- Increase available resources for green collar workforce training.

The five projects to be funded through this program include:

• **Community Education on Clean Technology Financing Programs:** There are numerous financing options available to the community for solar energy retrofits—including group purchases through the establishment of Solar Block parties, residential leases/power purchase agreements, and Property Assessed Clean Energy (PACE) funds. DOE award funds will be used for staff administration and marketing, education, and outreach activities associated with these and other renewable financing programs throughout the City.

As regards PACE funding programs, the City Council previously adopted a resolution expressing the City's interest in participating in the CaliforniaFIRST financing structure that is being developed by the California Statewide Communities Development Authority ("California Communities"). The CaliforniaFIRST Program will enable property owners to finance 100% of the upfront capital costs of energy efficiency and clean energy projects

If a property owner chooses to participate, the improvements will be financed by the issuance of bonds by California Communities. California Communities will levy "contractual assessments" on the owner's property to repay the portion of the bonds issued to finance the improvements on

that property. California Communities has selected Renewable Funding LLC and RBC Capital Markets to provide administration and financing for the program.

California Communities intends to launch the CaliforniaFIRST program on a pilot basis in 2010. California Communities will undertake a judicial validation proceeding as part of its initiation of the CaliforniaFIRST Program. Staff plans to seek final City Council authorization to participate in the CaliforniaFIRST program in January 2010.

- **Solar Loans for City Staff:** San José Credit Union serves the banking needs of many of the City's employees. While programs like CaliforniaFIRST will meet the needs of many interested property owners, it will not meet the needs of everyone. The City of San José has almost 7,000 employees and wants to enable all staff to lead by example. The San José Credit Union has agreed to provide all City employees, wherever they may live in the Bay Area, a low interest loan as an additional financial option for solar adoption. The funds for this project will pay for City staff time and marketing materials to provide employee education on solar opportunities and also help facilitate group buys for interested participants to further reduce installation costs. Through a group purchase, it may be possible to realize additional savings compared to current market rates for individual systems. Often the more participants in a group buy, the larger the potential discount from the industry. If successful, this model will be expanded to other financial entities and large corporations in San José.

- **Qualified Energy Conservation Bond Financing for Revolving Solar Loan Fund:** The City will explore developing a Revolving Solar Loan Fund for solar energy projects on privately owned facilities. The source of the fund would be through the issuance of currently available federal tax credit Qualified Energy Conservation Bonds (QECBs). Grant funds will pay for staff to review the feasibility of issuing QECBs for this purpose.

- **Solar Career Opportunities for Students Enrolled in Environmental Degree/Solar Training Programs and At-Risk Youth:** The City will provide opportunities for students enrolled in various local green workforce training programs to gain hands-on experience in conducting solar site evaluations and providing education and outreach on solar technologies to the community. The City will develop a program to connect disadvantaged youth with pathways to green careers with a specific emphasis on the solar industry. DOE grant award funding will be used to support City staff time, provide student interns with field tools to conduct solar site evaluations in the community and materials to prepare reports for property owners. Funding will also be used to develop short courses on the basics of solar which will be delivered to at risk youth throughout the City. Participants in these short courses will also be provided with a guide on local training opportunities and financial aid resources.

- **Green Vision Education and Demonstration Center:** The City will develop an Education and Demonstration Center on the Redevelopment property across the street from City Hall. The Demonstration Center will act as a hub for disseminating information on solar technologies and innovative financing options, and allow the community to gain hands-on experience with solar technologies. The Center will showcase the 2009 DOE award winning Santa Clara University

Solar Decathlon House and technology demonstrations by up to 12 local companies. In addition to Santa Clara University's in-kind contribution of the use of the Solar Decathlon House (valued at \$198,050), the City received additional commitments from eight solar companies (total \$246,400 value, but no individual donation in excess of \$100,000), local joint electrical industry fund (\$75,050 value), and the Redevelopment Agency (\$273,232), which were submitted as support for the grant application. DOE grant award funding will be used to support City staff time to coordinate the set up and installation of the Green Vision Center demonstration sites, lead tours, supervise student interns, host events, and prepare and distribute marketing material for public outreach.

The grant and related in-kind match will fund 2.4 full time positions and interns in the Environmental Services Department; supplies and materials; meeting expenses; associated marketing material; Green Vision Demonstration site permitting, setup and operations; and other non-personal costs for the five programs. Two temporary positions in the Environmental Services Specialist series will coordinate and implement the five outreach and public education programs; the .2 Analyst position will track the grant budget, expenditures, and reporting; .2 management positions will supervise the overall project; and paid interns will lead tours in the Green Vision Demonstration site.

EVALUATION AND FOLLOW-UP

The DOE grant agreement requires on-going quarterly and annual reporting. Updates on this program and other Green Vision goal activities will be provided annually as part of the ARRA and Green Vision reports.

PUBLIC OUTREACH/INTEREST

- ☐ **Criterion 1:** Requires Council action on the use of public funds equal to \$1 million or greater. **(Required: Website Posting)**
- ☐ **Criterion 2:** Adoption of a new or revised policy that may have implications for public health, safety, quality of life, or financial/economic vitality of the City. **(Required: E-mail and Website Posting)**
- ☐ **Criterion 3:** Consideration of proposed changes to service delivery, programs, staffing that may have impacts to community services and have been identified by staff, Council or a Community group that requires special outreach. **(Required: E-mail, Website Posting, Community Meetings, Notice in appropriate newspapers)**

Although this item does not meet any of the criteria listed above, this memorandum will be posted on the City's website as part of the December 15, 2009 City Council Agenda.

COORDINATION

The Solar America Cities Special Project was coordinated with the Office of Economic Development, Departments of General Services, Finance, Public Works, Transportation, Housing, City Attorney's Office, Parks, Recreation, and Neighborhood Services, Planning, Building and Code Enforcement, and the San José Redevelopment Agency.

FISCAL/POLICY ALIGNMENT

This item is consistent with Council approved Green Vision, and Budget Strategy Memo General Principle #2, "We must focus on protecting our vital core City services."

COST SUMMARY/IMPLICATIONS

1. COST ELEMENTS OF PROJECT:

Community Education on Clean Technology Financing Programs	\$369,144
San Jose Credit Union Solar Financing Pilot--Education	\$51,360
Qualified Energy Conservation Bonds Feasibility Analysis	\$51,360
Green Vision Education and Demonstration Program	\$1,498,287
Solar Career Opportunities	\$233,121
Total Cost	\$2,203,272

2. SOURCES OF FUNDING:

Grant:	
Department of Energy Grant	\$1,101,636
Grant Match:	
2009-2010 City of San José Staff and Services Expenditures	\$ 81,861
In-Kind Donations from Municipal Sources*:	
RDA value of no cost lease of land/improvements	\$ 273,232
Public Art lamp posts	\$ 50,000
DOT LED streetlights	\$ 2,390
Private Sector In-Kind Contributions	\$ 543,450

Prior Year Expenditures** :	
Fleet vehicle improvement/Prius upgrade	\$ 4,655
Public Works Green Mobility Showcase improvement	\$ 146,048
Total Grant Match:	\$1,101,636
Total Project Funding:	\$2,203,272

* These items have either been donated to the City or have already been paid for. The City entities contributing these items toward the Solar Market Transformation project will not incur any additional cost for the items. The value of these items is eligible to be counted toward the fulfillment of the grant matching requirements.

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3. FISCAL IMPACT

This project will not lead to any additional operating and maintenance costs, except as covered by the grant, and the 2009-2010 City of San José staff and services expenditures called out in the chart above. Details regarding the 2009-2010 City of San José expenditures can be found in the Budget Reference chart below.

BUDGET REFERENCE

Fund #	Appn #	Appn. Name	Total Appn	Recommended Funding	2009-10 Adopted Operating Budget Page	Last Budget Action (date, Ord. No.)
Funding Required for Match				\$81,861		
423	0761	Personal Services-ESD	\$5,822,961	\$34,641	XI-51	10/20/09, 28653
001	0762	Non-Personal/ Equipment ESD	\$341,036	\$32,500	VIII-66	10/20/09, 28653
450	7015	Santa Clara Street Green Mobility Sidewalk Improvement Projects	\$14,720	\$14,720	V-913	10/20/09, 28653
Total Funding Available				\$81,861		


CEQA

Resolution 65459, File No. PP09-204


JOHN STUFFLEBEAN
Director, Environmental Services


JENNIFER A. MAGUIRE
Budget Director

I hereby certify that there will be available for appropriation in the General Fund in the Fiscal Year 2009-10 moneys in excess of those heretofore appropriated there from, said excess being at least \$1,101,636.


JENNIFER A. MAGUIRE
Budget Director

For questions please contact MaryEllen Dick, Manager, Office of Sustainability,
at 408-535-8555

